

1 ZIMMERMAN REED, LLP
2 HART L. ROBINOVITCH
3 14648 N. Scottsdale Road, Suite 130
4 Scottsdale, AZ 85254
5 Telephone: 480/348-6400
6 480/348-6415 (fax)
7 hart.robinovitch@zimmreed.com

5 | Local Counsel for Lead Plaintiff

6 ROBBINS GELLER RUDMAN
& DOWD LLP

7 TOR GRONBORG (admitted *pro hac vice*)
8 J. MARCO JANOSKI GRAY (admitted *pro hac vice*)
T. ALEX B. FOLKERTH (admitted *pro hac vice*)
JESSICA E. ROBERTSON (admitted *pro hac vice*)

9 JESSICA L. ROBERTSON (ad)
655 West Broadway, Suite 1900
San Diego, CA 92101

10 San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

11 torg@rgrdlaw.com
12 mjanoski@rgrdlaw.com
afolkerth@rgrdlaw.com
jrobertson@rgrdlaw.com

13 || Lead Counsel for Lead Plaintiff

[Additional counsel listed on signature page]

UNITED STATES DISTRICT COURT

DISTRICT OF ARIZONA

18 Laborers District Council Construction) No. CV-23-01455-PHX-DLR
19 Industry Pension Fund, et al.,) Consolidated with
20 Plaintiffs,) Case No. 23-01889-PHX-SRB
21 vs.) CLASS ACTION
22 Sea Limited, et al.,) JOINT PROPOSED DISCOVERY PLAN
23 Defendants.) PURSUANT TO FED. R. CIV. P. 26(f)

1 Pursuant to Federal Rule of Civil Procedure 26(f) and the Court's August 8, 2024
2 Order Setting Rule 16 Scheduling Conference (ECF No. 56), Laborers District Council
3 Construction Industry Pension Fund ("Plaintiff") and Sea Limited, Forrest Li, Tony Hou,
4 Yanjun Wang, Gang Ye, and David Chen (collectively "Defendants," and together with
5 Plaintiff, the "Parties") hereby submit this joint proposed Discovery Plan .

6 **1. PARTIES WHO ATTENDED THE RULE 26(F) MEETING**

7 The Parties met telephonically on September 23, 2024. All Parties attended the Rule
8 26(f) meeting and assisted in developing this proposed Discovery Plan:

9

- Plaintiff Laborers District Council Construction Industry Pension Fund
10 (represented at the meeting by Robbins Geller Rudman & Dowd LLP); and
- Defendants Sea Limited, Forrest Li, Tony Hou, Yanjun Wang, Gang Ye, and
11 David Chen (represented at the meeting by Allen Overy Shearman Sterling
US LLP).

12 **2. NATURE OF THE CASE**

13 Plaintiff brings this putative securities class action on behalf of all persons who
14 purchased or otherwise acquired the publicly traded American Depository Shares ("ADSs")
15 of Sea Limited ("Sea" or the "Company") between November 15, 2022 and August 14,
16 2023, inclusive (the "Class Period"), against Sea and certain of its executives for violations
17 of §§10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"). In
18 addition to Sea, this case is also brought against the "Individual Defendants" who held the
19 following positions at the Company during the Class Period: (a) Forrest Xiaodong Li ("Li"),
20 Sea's cofounder, Chief Executive Officer, and Chairman of the Board; (b) Tony Tianyu Hou
21 ("Hou"), Sea's Chief Financial Officer and Board member; (c) Yanjun Wang ("Wang")
22 Sea's Chief Corporate Officer, Group General Counsel, and Company Secretary; (d) Gang
23 Ye ("Ye") Sea's cofounder, Chief Operating Officer, and Board member; and (e) David
24 Jingye Chen ("Chen"), Sea's cofounder and Chief Product Officer of Shopee. Following the
25 Court's order granting in part and denying in part Defendants' motion to dismiss (ECF No.
26 55) ("MTD Order"), Plaintiff maintains §10(b) claims against Sea, Li, and Wang, and §20(a)
27 claims against all Defendants.
28

1 Sea is an international consumer internet company organized under the laws of the
 2 Cayman Islands and headquartered in Singapore. It operates three core businesses across the
 3 digital entertainment, e-commerce, and digital financial services segments: (a) Garena, a
 4 global online video games publisher and developer; (b) Shopee, the largest e-commerce
 5 platform in Southeast Asia and Taiwan, with significant presence in Brazil; and
 6 (c) SeaMoney, a digital payments and financial services provider. This case concerns the
 7 Garena and Shopee business lines. However, the Parties disagree regarding the summary of
 8 the remaining claims following the Court's ruling on Defendants' motion to dismiss.

9 Plaintiff alleges in the Consolidated Complaint for Violations of the Federal Securities
 10 Laws (ECF No. 31) (the "Complaint") that Defendants violated §§10(b) and 20(a) of the
 11 Exchange Act by issuing a series of materially false and misleading statements throughout
 12 the Class Period that: (i) deceived the investing public regarding Sea's prospects and
 13 business; (ii) artificially inflated the price of Sea's publicly traded ADSs; (iii) permitted
 14 certain of the Individual Defendants to sell their ADS holdings at artificially inflated prices;
 15 (iv) caused Plaintiff and other members of the putative Class to purchase Sea's publicly
 16 traded ADSs at artificially inflated prices; and (v) caused the price of Sea ADSs to
 17 precipitously decline when the relevant truth and its impact on Sea's financial results and
 18 prospects entered the market through a series of partial disclosures, harming Plaintiff and the
 19 putative Class. These alleged misstatements center around: (a) the effect of losing the hit
 20 video game *League of Legends* on Garena's financial results and user metrics; and (b) the
 21 sustainability of the Company's publicized "pivot to profitability" and the effect that Sea's
 22 drastic cost-cutting measures would have on Shopee's growth and market share.¹ Plaintiff
 23
 24

25 ¹ As explained in Plaintiff's opposition to Defendants' motion for reconsideration of the
 26 motion to dismiss order, Plaintiff's position is that Defendants misconstrue the Shopee
 27 allegations that remain at issue by ignoring, *inter alia*: (1) that Shopee's declining GMV
 28 trend was tied to Sea's drastic cost-cutting effort (*i.e.*, the "pivot to profitability") (ECF No.
 61 at 2, 8-9, 13-14; MTD Order at 23); and (2) the unchallenged "shipping subsidies"
 90(c). Statement issued on the 1Q23 earnings call (ECF No. 61 at 6 & n.4, n.7; Complaint, ¶¶88,

1 maintains that Defendants' statements created the misleading impression that Sea's business
 2 model was more viable and the results of its operations were better than they were in fact.

3 As will be more fully set forth in their Answer, Defendants deny each and every one
 4 of Plaintiff's allegations set forth above. Defendants also disagree with Plaintiff's summary
 5 of the remaining claims in this action and note, by way of example only, that the Court held
 6 in its August 7, 2024 order on Defendants' motion to dismiss that "only some of Plaintiff's
 7 allegations regarding Shopee sufficiently plead falsity" and dismissed all but the following
 8 two allegations relating to Shopee-related misrepresentations: "(1) Sea's Form F-20 for
 9 FY22 misled investors by failing to disclose Shopee's downward trending GMV and
 10 (2) Defendants' misled investors on the 1Q23 earnings call (May 16, 2023) by claiming that
 11 Shopee's GMV was 'in line with seasonality trends' while also omitting the fact that
 12 Shopee's GMV was experiencing an ongoing decline." (Aug. 7, 2024 Order, ECF No. 55,
 13 at 25.) Defendants' position on Plaintiff's remaining Shopee-related claims is more fully set
 14 out in Defendants' pending motion for partial reconsideration (ECF No. 58) of the Court's
 15 August 7, 2024 order on Defendants' motion to dismiss. In addition, and among other things
 16 (and thus reserving their rights to assert affirmative defenses), Defendants each deny that
 17 they engaged in any wrongdoing or violated the Securities Exchange Act of 1934, or that
 18 Plaintiff suffered any damages.

19 **3. PRINCIPAL FACTUAL AND LEGAL DISPUTES**

20 The following is a list of principal factual and legal issues that Plaintiff believes are
 21 disputed.

22 **3.1 Whether Defendants Violated §10(b) of the Exchange Act**

23 **Falsity.** Whether any of the alleged misstatements made by Defendants in the
 24 November 15, 2022 earnings call, March 7, 2023 earnings call, April 6, 2023 Form 20-F, or
 25 May 16, 2023 earnings call was an untrue statement of a material fact or omitted a material
 26 fact necessary under the circumstances to keep the statements that were made from being
 27 misleading.

1 **Scienter.** Whether Defendants acted knowingly or with reckless disregard for the
 2 truth in making the alleged misrepresentations or omissions.

3 **Reliance – Fraud-on-the-Market.** Whether there was an active, open market in Sea
 4 ADSs during the Class Period.

5 **Loss Causation.** Whether the alleged misrepresentations or omissions played a
 6 substantial part in causing the injury or loss that Plaintiff and the Class suffered.

7 **Damages.** The amount of per share damages Plaintiff and the Class suffered.

8 **3.2 Whether Defendants Violated §20(a) of the Exchange Act**

9 **Control.** Whether any of the Defendants possessed, directly or indirectly, the actual
 10 power to direct or cause the direction of the decision making processes of any Defendant
 11 who violated §10(b) of the Exchange Act.

12 **Good Faith.** Whether any such “controlling” Defendant acted in good faith and did
 13 not directly or indirectly induce the act or acts constituting the violation of §10(b).

14 Defendants deny each and every one of the allegations and dispute each and every one
 15 of the legal arguments set forth above, including Plaintiff’s articulation of the elements of a
 16 violation of Sections 10(b) and 20(a) of the Exchange Act of 1934 to the extent it is
 17 incomplete and inconsistent with the statute and/or the case law. Defendants further deny,
 18 among other things, that the alleged misstatements described above were false or misleading,
 19 or material to investors, at the times they were made and that Plaintiff suffered any damages.
 20 Defendants incorporate herein by reference all of the defenses that they will plead in their
 21 Answer, which is due to be filed on October 18, 2024.

22 **4. JURISDICTIONAL BASIS**

23 The parties agree that subject-matter jurisdiction is conferred by §27 of the Exchange
 24 Act (15 U.S.C. §78aa). The claims asserted in this action arise under §§10(b) and 20(a) of
 25 the Exchange Act (15 U.S.C. §§78j(b), 78t(a)), and Rule 10b-5 promulgated thereunder by
 26 the U.S. Securities and Exchange Commission (17 C.F.R. §240.10b-5). Plaintiff maintains
 27 that personal jurisdiction is also conferred by §27 of the Exchange Act. *Sec. Inv. Prot. Corp.*
 28 *v. Vigman*, 764 F.2d 1309, 1316 (9th Cir. 1985) (“[S]o long as a defendant has minimum

1 contacts with the United States, Section 27 of the [Exchange] Act confers personal
 2 jurisdiction over the defendant in any federal district court.”). Defendants maintain that, as
 3 noted in the Individual Defendants’ Joinder (ECF No. 46) in Sea Limited’s Motion to
 4 Dismiss (ECF No. 41), the Individual Defendants have reserved all defenses based on
 5 personal jurisdiction.

6 **5. SERVICE AND APPEARANCE OF PARTIES**

7 All Parties have been served and have appeared.

8 **6. ADDITIONAL PARTIES AND AMENDED PLEADINGS**

9 The Parties do not presently anticipate adding any parties or amending any pleadings,
 10 but reserve the right to seek leave to do so if the need arises. Defendants have not yet filed
 11 their Answer, which is due on October 18, 2024.

12 **7. CONTEMPLATED MOTIONS**

13 Plaintiff expects to file a motion for class certification pursuant to Federal Rule of
 14 Civil Procedure 23. The issues to be decided by this motion are whether Plaintiff and the
 15 putative Class meet the requirements of Rule 23(a) and 23(b)(3):

- 16 • **Numerosity.** Whether the Class is so numerous that joinder of all members is
 17 impracticable;
- 18 • **Commonality.** Whether there are questions of law or fact common to the
 Class;
- 19 • **Typicality.** Whether the claims or defenses of Plaintiff are typical of the
 claims or defenses of the Class;
- 20 • **Adequacy.** Whether Plaintiff will fairly and adequately protect the interests
 of the Class; and
- 22 • **Predominance and Superiority.** Whether the questions of law or fact
 23 common to the Class predominate over any questions affecting only individual
 members, and whether a class action is superior to other available methods for
 24 fairly and efficiently adjudicating the controversy.

25 Depending on the facts obtained in discovery, Plaintiff may also file a motion or motions for
 26 partial summary judgment on particular elements of its §§10(b) and 20(a) claims, along with
 27 motions *in limine* and other evidentiary motions.

28

1 Defendants anticipate filing motions typical of a civil action, including motions for
2 summary judgment, motions *in limine*, and other evidentiary motions. Without having yet
3 conducted discovery, Defendants cannot articulate the subject(s) of those motions.
4 Defendants reserve the right to file motions in addition to those listed here to the extent the
5 need for any such motions arises during this litigation.

6 **8. SUITABILITY FOR REFERENCE TO A UNITED STATES
7 MAGISTRATE JUDGE**

8 The Parties are amenable to considering reference to a private mediator for settlement
9 discussions at a later date. The Parties agree this case is not suitable for reference to a
10 Magistrate Judge for trial.

11 **9. RELATED CASES**

12 The Parties are not aware of any other related cases pending before other courts or
13 other judges of this Court.

14 **10. EXCHANGE OF INITIAL DISCLOSURES**

15 The Parties exchanged initial disclosures on September 17, 2024.

16 **11. DISCUSSION OF NECESSARY DISCOVERY**

17 **11.1 Extent, Nature, and Location of Anticipated Discovery**

18 The Parties disagree about the extent, nature, and location of discovery anticipated in
19 this case and their respective positions are as follows.

20 Plaintiff intends to seek written and oral discovery on all the factual bases underlying
21 its §§10(b) and 20(a) claims, including, *inter alia*: (a) the false and misleading nature of the
22 alleged misstatements at issue; (b) the materiality of those statements; (c) Defendants'
23 knowledge of, or reckless disregard for, the true facts undercutting the alleged misstatements
24 at issue; (d) Defendants' motive and opportunity to commit the alleged fraud;
25 (e) Defendants' transactions in Sea securities; (f) the market for Sea ADSs; (g) the decline in
26 the price of Sea ADSs; and (h) Defendants' control over the Company and each other.
27 Plaintiff anticipates that much of this discovery will be located at Sea's corporate
28 headquarters in Singapore.

1 Plaintiff maintains that discoverable information related to these issues would further
 2 include, *inter alia*, the following general categories: (i) Sea’s business and operations;
 3 (ii) Garena’s business and operations; (iii) Shopee’s business and operations; (iv) the impact
 4 of losing the *League of Legends* publishing license on Garena and/or Sea’s business;
 5 (v) Shopee’s pivot to profitability announced in August 2022; (vi) the relationship between
 6 Shopee’s sales and marketing expenditures and its gross merchandise value; (vii) Shopee’s
 7 competition; (viii) trends in Shopee’s gross merchandise value; (ix) Defendants’ knowledge
 8 of the reasonably likely material adverse effect on Sea’s business from trends in Shopee’s
 9 gross merchandise value; (x) the decision to discontinue quarterly disclosures of Shopee’s
 10 gross merchandise value in the first two quarters of 2023; and (xi) the decision to restart
 11 quarterly disclosures of Shopee’s gross merchandise value in the third quarter of 2023.

12 Defendants intend to seek written and oral discovery regarding the purported bases
 13 underlying Plaintiff’s claims, including Plaintiff’s ability to satisfy the requirements for class
 14 certification, and in support of Defendants’ defenses. Defendants anticipate that, in addition
 15 to documents and electronically stored information stored at Sea’s headquarters in Singapore
 16 and on Sea’s servers, relevant discovery, including discovery related to class-certification
 17 issues and Defendants’ defenses, is in the possession of Plaintiff, Plaintiff’s investment
 18 manager Hardman Johnston Global Advisors LLC, and certain third parties. Defendants
 19 note that, among other things, discovery regarding “Shopee’s pivot to profitability,” “the
 20 relationship between Shopee’s sales and marketing expenditures and its gross merchandise
 21 value,” and “Shopee’s competition” is irrelevant to Plaintiff’s remaining claims.² This is
 22 because the Court has held that “the following allegations either are actionable or fail to
 23 adequately plead falsity: (1) Defendants’ Shopee-related statements on the 3Q22 earnings
 24 call (November 15, 2022) (Doc. 31 ¶ 70(b–c)); (2) Defendants’ Shopee-related statements on
 25 the 4Q22 earnings call (March 7, 2023) (¶ 78(b–e)); and (3) Defendants’ statements on the

26
 27 ² As discussed above (*supra*, n.1) and in Plaintiff’s opposition to Defendants’ motion for
 28 reconsideration of the motion to dismiss order (ECF No. 61), Plaintiff’s position is that
 Defendants’ relevance objections to certain of these categories misconstrue the Shopee
 allegations in this case.

1Q23 earnings call (May 16, 2023) regarding Sea’s potential for ‘profitable long-term
 2 growth’ and its ability to ‘execute growth and manag[e] bottom line at the same time’
 3 (¶ 90(a).) (Aug. 7, 2024 Order, ECF No. 55, at 25 (citing and quoting the Consolidated
 4 Amended Complaint, ECF No. 31).) As noted above, Defendants’ position on Plaintiff’s
 5 remaining Shopee-related claims is more fully set out in Defendants’ pending motion for
 6 partial reconsideration (ECF No. 58) of the Court’s August 7, 2024 order on Defendants’
 7 motion to dismiss. Defendants’ statements above regarding the extent, nature, and location
 8 of discovery are not intended to be comprehensive. Defendants reserve all rights regarding
 9 additional discovery that may be relevant to any Party’s claim or defense in this action.

10 11.2 Modifications to Discovery Limitations – Number of Fact Depositions

11 Plaintiff’s position is that it will be necessary for Plaintiff to be afforded additional
 12 depositions beyond the 10 provided for under Federal Rule of Civil Procedure 30, and
 13 currently anticipates needing 25 fact witness depositions. Defendants do not agree that
 14 Plaintiff’s proposed deviation from the Rules is required. The Parties agree that they will
 15 continue to engage in good faith negotiations regarding the number of fact depositions as
 16 discovery progresses.

17 11.3 Number of Hours per Deposition

18 Plaintiff’s position is that it will likely require up to 14 hours for each of the
 19 depositions of the Individual Defendants alleged to have violated § 10(b) (*i.e.*, Li and Wang),
 20 but that all other fact witness depositions be subject to the seven-hour limit provided for
 21 under Federal Rule of Civil Procedure 30. Defendants do not agree that Plaintiff’s proposed
 22 deviation from the Rules is required. The Parties agree that they will continue to engage in
 23 good-faith negotiations on this issue as discovery progresses.

24 12. PRE-TRIAL DEADLINES

25 The Parties have agreed upon the following pre-trial deadlines set forth below, which
 26 the Court entered in its August 23, 2024 Scheduling Order (ECF No. 60).

	Event	Date
1	Defendants' Answer	October 18, 2024
2	Plaintiff's Motion for Class Certification* ³	March 7, 2025
3	Defendants' Opposition to Class Certification*	May 2, 2025
4	Plaintiff's Reply in Support of Class Certification*	June 27, 2025
5	Completion of Fact Discovery	December 5, 2025
6	Parties' Affirmative Expert Reports	January 30, 2026
7	Parties' Rebuttal Expert Reports	March 6, 2026
8	Completion of Expert Discovery	April 10, 2026
9	Parties' Dispositive Motions	June 5, 2026
10	Oppositions to Dispositive Motions	July 17, 2026
11	Replies in Support of Dispositive Motions	August 28, 2026
	Exchange of Rule 26(a)(3) Pre-trial Disclosures	December 18, 2026

12 **13. JURY TRIAL**

13 Plaintiff has requested a jury trial. Defendants do not contest this request.

14 **14. LENGTH OF TRIAL**

15 Plaintiff currently anticipates that 15 full trial days will be needed for trial time
 16 (excluding jury selection and deliberations). Defendants believe that this action will be
 17 dismissed, in whole or in part, by this Court's ruling on Defendants' pending motion for
 18 reconsideration and/or anticipated motions for summary judgment. Although it is difficult
 19 for Defendants to anticipate at this stage the length of the trial in this action, Defendants
 20 currently anticipate that the trial would require approximately 3-5 full trial days.

21 **15. PROSPECTS FOR SETTLEMENT**

22 The Parties agree that, should the prospects for settlement arise in this case, the
 23 Parties will engage in bilateral negotiations or engage the services of a private mediator.

24
 25
 26 ³ The deadlines related to the class certification motion (*) assume the Parties have been
 27 afforded the opportunity to complete all necessary discovery related to the class certification
 28 motion, opposition, and reply. To the extent any Party believes it has not been afforded such
 opportunity as of these proposed deadlines, the Parties will confer in good faith and propose
 reasonable modifications to these deadlines.

1 **16. OTHER MATTERS**

2 **16.1 Protective Order and ESI Order**

3 The Parties agree that discovery in this case is likely to involve production of
 4 confidential or proprietary information for which special protection from public disclosure
 5 and from use for any purpose other than prosecuting this litigation may be warranted. The
 6 Parties are working to reach agreement on a stipulated proposed Protective Order that will
 7 govern these issues in this case.

8 The Parties also agree that certain issues regarding the disclosure or discovery of
 9 electronically stored information (“ESI”) will arise in this case. The Parties are working to
 10 determine if they can reach agreement on a stipulated proposed ESI Order that will govern
 11 these issues in this case or whether they will proceed with discovery and address any ESI-
 12 related issues as they arise.

13 **16.2 Privilege Log Protocol and Deposition Protocol**

14 Plaintiff believes the parties should also negotiate and reach agreement on stipulated
 15 protocols for: (a) the form and timing of privilege logs, and (b) the scope and conduct of fact
 16 depositions in this case. Plaintiff has sent a proposal on both of these to Defendants.
 17 Defendants believe that those stipulated protocols are unnecessary and in any event
 18 premature, and that the Parties can resolve any issues regarding these issues through good-
 19 faith discussions if and when any such issues arise.

20 DATED: October 1, 2024

ROBBINS GELLER RUDMAN & DOWD LLP
 21 TOR GRONBORG (*pro hac vice*)
 22 J. MARCO JANOSKI GRAY (*pro hac vice*)
 23 T. ALEX B. FOLKERTH (*pro hac vice*)
 24 JESSICA E. ROBERTSON (*pro hac vice*)

25

s/ Marco Janoski

26 J. MARCO JANOSKI GRAY

27

28

1 655 West Broadway, Suite 1900
2 San Diego, CA 92101
3 Telephone: 619/231-1058
4 619/231-7423 (fax)
5 torg@rgrdlaw.com
mjanoski@rgrdlaw.com
afolkerth@rgrdlaw.com
jrobertson@rgrdlaw.com

6 Lead Counsel for Lead Plaintiff
7

8 ZIMMERMAN REED, LLP
9 HART L. ROBINOVITCH
10 14648 N. Scottsdale Road, Suite 130
11 Scottsdale, AZ 85254
12 Telephone: 480/348-6400
480/348-6415 (fax)
hart.robinovitch@zimmreed.com

13 Local Counsel for Lead Plaintiff
14

DATED: October 1, 2024

15 ALLEN OVERY SHEARMAN STERLING
16 US LLP
17 ADAM S. HAKKI (*pro hac vice*)
18 DANIEL C. LEWIS (*pro hac vice*)
19 JOSHUA T. EBERSOLE (*pro hac vice*)
20

21 s/ Joshua T. Ebersole (with permission)

22 JOSHUA T. EBERSOLE

23 599 Lexington Avenue
24 New York, NY 10022-6069
25 Telephone: 212/848-4000
26 adam.hakki@aoshearman.com
27 daniel.lewis@aoshearman.com
28 joshua.ebersole@aoshearman.com

1 LEWIS ROCA ROTHGERBER CHRISTIE LLP
2 JOHN C. GRAY (Arizona Bar No. 028454)
3 201 East Washington Street, Suite 1200
4 Phoenix, AZ 85004
5 Telephone: 602/262-5311
6 602/262-5747 (fax)
7 jgray@lewisroca.com

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10
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18
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23
24
25
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27
28
Counsel for Defendants Sea Limited, Forrest Li,
Tony Hou, Yanjun Wang, Gang Ye, and David
Chen